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UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

Lafayette Division

ROBERT FARER, Derivatively On Behalf of STONE ENERGY CORPORATION, Plaintiff, vs. JAMES H. STONE, DAVID H. WELCH, D. PETER CANTY, JOHN P. LABORDE, PETER K. BARKER, GEORGE R. "RON" CHRISTMAS, RICHARD A. PATTAROZZI, DAVID R. VOELKER, RAYMOND B. GARY, ROBERT A. BERNHARD, B.J. DUPLANTIS, KENNETH H. BEER, and JAMES H. PRINCE, Defendants -and- STONE ENERGY CORPORATION, a Delaware corporation, Nominal Defendant.	Civil Action No. CV05-2166 SHAREHOLDER VERIFIED DERIVATIVE COMPLAINT FOR BREACH OF FIDUCIARY DUTY, ABUSE OF CONTROL, GROSS MISMANAGEMENT, WASTE OF CORPORATE ASSETS, UNJUST ENRICHMENT AND VIOLATIONS OF THE SARBANES-OXLEY ACT OF 2002 JUDGE MELANÇON MAGISTRATE JUDGE HILL JURY TRIAL DEMANDED

Plaintiff, by his attorneys, submits this Derivative Complaint (the "Complaint") against the defendants named herein.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought by a shareholder of Stone Energy Corporation ("Stone Energy" or the "Company"), a Delaware corporation, on behalf of the Company against certain of its officers and directors seeking to remedy defendants' violations of state law, including breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment and violations of the Sarbanes-Oxley Act of 2002 that occurred between May 2, 2001 and the present (the "Relevant Period") and that have caused substantial losses to Stone Energy and other damages, such as to its reputation and goodwill.

JURISDICTION AND VENUE

2. This court has jurisdiction over this action pursuant to 28 U.S.C 1331 in that plaintiff's claims arise in part out of the laws of the United States, including the Sarbanes-Oxley Act of 2002.

3. This Court has jurisdiction over all claims asserted herein pursuant to 28 U.S.C. 1332(a)(2), because complete diversity exists between the plaintiff and each defendant, and the amount in controversy exceeds $75,000. This action is not a collusive one designed to confer jurisdiction on a court of the United States that it would not otherwise have.

4. This Court has jurisdiction over each defendant named herein because each defendant is either a corporation that conducts business in and maintains operations in this District, or is an individual who has sufficient minimum contacts with Louisiana so as to render the exercise of jurisdiction by the Louisiana courts permissible under traditional notions of fair play and substantial justice.

5. Venue is proper in this Court pursuant to 28 U.S.C. 1391(a) because one or more of the defendants either resides in or maintains executive offices in this District, a substantial portion of the transactions and wrongs complained of herein, including the defendants' primary participation in the wrongful acts detailed herein and aiding and abetting and conspiracy in violation of fiduciary

duties owed to Stone Energy occurred in this District, and defendants have received substantial compensation in this District by doing business here and engaging in numerous activities that had an effect in this District.

PARTIES

6. Plaintiff is, and was at all relevant times, a shareholder of nominal defendant Stone Energy. Plaintiff is a citizen of Florida.

7. Nominal defendant Stone Energy is a Delaware corporation and maintains its headquarters in Lafayette, Louisiana. Stone Energy is an independent oil and gas company which is engaged in the acquisition and subsequent exploration, development, operation and production of oil and gas properties.

8. Defendant James H. Stone ("Stone") was, at all relevant times, Chairman and a director of Stone Energy. Because of Stone's positions, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Stone participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and Securities and Exchange Commission ("SEC") filings. During the Relevant Period, Stone sold 199,000 shares of Stone Energy stock for proceeds of $8,370,230.00. Defendant Stone is a citizen of Louisana.

9. Defendant David H. Welch ("Welch") was, at all relevant times, President, Chief Executive Officer ("CEO") and a director of Stone Energy. Because of Welch's positions, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Welch

participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and Securities and Exchange Commission ("SEC") filings. Defendant Welch is a citizen of Louisana.

10. Defendant James H. Prince ("Prince") was Chief Financial Officer of Stone Energy until July 2005. Because of Prince's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management meetings and via reports and other information provided to him in connection therewith. During the Relevant Period, Prince participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. During the Relevant Period, Prince sold 20,000 shares of Stone Energy stock for proceeds of $940,700.00. Defendant Prince is a citizen of Louisana.

11. Defendant Kenneth H. Beer ("Beer") was, at all relevant times, Chief Financial Officer ("CFO") of Stone Energy. Because of Beer's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management meetings and via reports and other information provided to him in connection therewith. During the Relevant Period, Beer participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. Defendant Beer is a citizen of Louisana.

12. Defendant D. Peter Canty ("Canty") was a director of Stone Energy until December 2005. Because of Canty's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Canty participated in the issuance of false and/or misleading statements, including the preparation of the

false and/or misleading press releases and SEC filings. During the Relevant Period, Canty sold 164,500 shares of Stone Energy stock for proceeds of $7,902,484.80. Defendant Canty is a citizen of Louisana.

13. Defendant John P. Laborde ("Laborde") was, at all relevant times, a director of Stone Energy. Because of Laborde's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Laborde participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. During the Relevant Period, Laborde sold 3,333 shares of Stone Energy stock for proceeds of $47,960.00. Defendant Laborde is a citizen of Louisana.

14. Defendant Peter K. Barker ("Barker") was, at all relevant times, a director of Stone Energy. Because of Barker's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Barker participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. Defendant Barker is a citizen of California.

15. Defendant George R. "Ron" Christmas ("Christmas") was, at all relevant times,a director of Stone Energy. Because of Christmas' position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and

committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Christmas participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. Defendant Christmas is a citizen of the District of Columbia.

16. Defendant Richard A. Pattarozzi ("Pattarozzi") was, at all relevant times, a director of Stone Energy. Because of Pattarozzi's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Pattarozzi participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. During the Relevant Period Pattarozzi sold 1,000 shares of Stone Energy stock for proceeds of $47,960.00. Defendant Pattarozzi is a citizen of Louisana.

17. Defendant David R. Voelker ("Voelker") was, at all relevant times, a director of Stone Energy. Because of Voelker's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Voelker participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. During the Relevant Period, Voelker sold 226,862 shares of Stone Energy stock for proceeds of $10,115,116.92. Defendant Voelker is a citizen of Louisana.

18. Defendant Raymond B. Gary ("Gary") was, at all relevant times, a director of Stone Energy. Because of Gary's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via

access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Gary participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. During the Relevant Period, Gary sold 3,000 shares of Stone Energy stock for proceeds of $111,909.00. Defendant Gary is a citizen of New York.

19. Defendant Robert A. Bernhard ("Bernhard") was, at relevant all times, a director of Stone Energy. Because of Bernhard's position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Bernhard participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. During the Relevant Period, Bernhard sold 23,000 shares of Stone Energy stock for proceeds of $1,104,186.00. Defendant Bernhard is a citizen of New York.

20. Defendant B.J. Duplantis ("Duplantis") was, at all relevant times, a director of Stone Energy. Because of Duplants' position, he knew the adverse non public information about the business of Stone Energy, as well as its finances, markets and present and future business prospects, via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at Board of Directors' meetings and committees thereof and via reports and other information provided to him in connection therewith. During the Relevant Period, Duplantis participated in the issuance of false and/or misleading statements, including the preparation of the false and/or misleading press releases and SEC filings. During the Relevant Period, Duplantis sold 8,600 shares of Stone Energy stock for proceeds of $421,220.00. Defendant Duplantis is a citizen of Louisana.

21. The defendants identified in ¶¶13 and 17-25 are referred to herein as the "Director Defendants." The defendants identified in ¶¶14-16 are referred to herein as the "Officer Defendants." The defendants identified in ¶¶13, 15, 17, 18, 21-25 are referred to herein as the "Insider Selling Defendants." Collectively, the Director Defendants, the Officer Defendants and the Insider Selling Defendants are referred to herein as the "Individual Defendants."

DUTIES OF THE INDIVIDUAL DEFENDANTS

22. By reason of their positions as officers, directors and/or fiduciaries of Stone Energy and because of their ability to control the business and corporate affairs of Stone Energy, the Individual Defendants owed Stone Energy and its shareholders fiduciary obligations of trust, loyalty, good faith and due care, and were and are required to use their utmost ability to control and manage Stone Energy in a fair, just, honest and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of Stone Energy and its shareholders so as to benefit all shareholders equally and not in furtherance of their personal interest or benefit.

23. Each director and officer of the Company owes to Stone Energy and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets, and the highest obligations of fair dealing. In addition, as officers and/or directors of a publicly held company, the Individual Defendants had a duty to promptly disseminate accurate and truthful information with regard to the Company's revenue, margins, operations, performance, management, projections and forecasts so that the market price of the Company's stock would be based on truthful and accurate information.

24. The Individual Defendants, because of their positions of control and authority as directors and/or officers of Stone Energy, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by the Company. Because of their advisory, executive, managerial and directorial positions with Stone Energy, each of the Individual Defendants had access to adverse non public information about the financial condition, operations, and improper representations of Stone Energy.

25. At all times relevant hereto, each of the Individual Defendants was the agent of each of the other Individual Defendants and of Stone Energy, and was at all times acting within the course and scope of such agency.

26. To discharge their duties, the officers and directors of Stone Energy were required to exercise reasonable and prudent supervision over the management, policies, practices and controls of the financial affairs of the Company. By virtue of such duties, the officers and directors of Stone Energy were required to, among other things:

(a) refrain from acting upon material inside corporate information to benefit themselves;

(b) ensure that the Company complied with its legal obligations and requirements, including acting only within the scope of its legal authority and disseminating truthful and accurate statements to the SEC and the investing public;

(c) conduct the affairs of the Company in an efficient, business like manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock;

(d) properly and accurately guide investors and analysts as to the true financial condition of the Company at any given time, including making accurate statements about the Company's financial results and prospects, and ensuring that the Company maintained an adequate system of financial controls such that the Company's financial reporting would be true and accurate at all times;

(e) remain informed as to how Stone Energy conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, to make reasonable inquiry in connection therewith, and to take steps to correct such conditions or practices and make such disclosures as necessary to comply with federal and state securities laws; and

(f) ensure that the Company was operated in a diligent, honest and prudent manner in compliance with all applicable federal, state and local laws, rules and regulations.

27. Each Individual Defendant, by virtue of his or her position as a director and/or officer, owed to the Company and to its shareholders the fiduciary duties of loyalty, good faith and the exercise of due care and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and officers of Stone Energy, the absence of good faith on their part, and a reckless disregard for their duties to the Company and its shareholders that the Individual Defendants were aware or should have been aware posed a risk of serious injury to the Company. The conduct of the Individual Defendants who were also officers and/or directors of the Company during the Relevant Period has been ratified by the remaining Individual Defendants who collectively comprised all of Stone Energy's Board during the Relevant Period.

28. The Individual Defendants breached their duties of loyalty and good faith by allowing defendants to cause or by themselves causing the Company to misrepresent its financial results and prospects, as detailed herein infra, and by failing to prevent the Individual Defendants from taking such illegal actions. In addition, as a result of defendants' illegal actions and course of conduct during the Relevant Period, the Company is now the subject of several class action law suits that allege violations of federal securities laws. As a result, Stone Energy has expended and will continue to expend significant sums of money. Such expenditures include, but are not limited to:

(a) Costs incurred to carry out internal investigations, including legal fees paid to outside counsel; and

(b) Costs incurred in investigating and defending Stone Energy and certain officers in the class actions, plus potentially millions of dollars in settlements or to satisfy an adverse judgment.

29. Moreover, these actions have irreparably damaged Stone Energy's corporate image and goodwill. For at least the foreseeable future, Stone Energy will suffer from what is known as the "liar's discount," a term applied to the stocks of companies who have been implicated in illegal

behavior and have misled the investing public, such that Stone Energy's ability to raise equity capital or debt on favorable terms in the future is now impaired.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

30. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their common plan or design. In addition to the wrongful conduct herein alleged as giving rise to primary liability, the Individual Defendants further aided and abetted and/or assisted each other in breach of their respective duties.

31. During all times relevant hereto, the Individual Defendants collectively and individually initiated a course of conduct that was designed to and did: (i) conceal the fact that the Company was improperly misrepresenting its financial results, in order to allow defendants to artificially inflate the price of the Company's shares; (ii) maintain the Individual Defendants' executive and directorial positions at Stone Energy and the profits, power and prestige that the Individual Defendants enjoyed as a result of these positions; and (iii) deceive the investing public, including shareholders of Stone Energy, regarding the Individual Defendants' management of Stone Energy's operations, the Company's financial health and stability, and future business prospects, specifically related to the Company's financials that had been misrepresented by defendants throughout the Relevant Period. In furtherance of this plan, conspiracy and course of conduct, the Individual Defendants collectively and individually took the actions set forth herein.

32. The Individual Defendants engaged in a conspiracy, common enterprise and/or common course of conduct commencing by at least June 17, 2005 and continuing thereafter. During this time the Individual Defendants caused the Company to conceal the true fact that Stone Energy was misrepresenting its financial results. In addition, defendants also made other specific, false statements about Stone Energy's financial performance and future business prospects, as alleged herein.

33. The purpose and effect of the Individual Defendants' conspiracy, common enterprise, and/or common course of conduct was, among other things, to disguise the Individual Defendants'

violations of law, breaches of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment; to conceal adverse information concerning the Company's operations, financial condition and future business prospects; and to artificially inflate the price of Stone Energy common stock so they could: (i) dispose of over $29,168,906.06 of their personally held stock; (ii) protect and enhance their executive and directorial positions and the substantial compensation and prestige they obtained as a result thereof; and (iii) use the artificially inflated Company stock to increase the Company's borrowing base.

34. The Individual Defendants accomplished their conspiracy, common enterprise and/or common course of conduct by causing the Company to purposefully, recklessly or negligently misrepresent its financial results. Because the actions described herein occurred under the authority of the Board of Directors, each of the Individual Defendants was a direct, necessary and substantial participant in the conspiracy, common enterprise and/or common course of conduct complained of herein.

35. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each Individual Defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

SUBSTANTIVE ALLEGATIONS

36. Beginning in 2001, the Individual Defendants caused or allowed the Company to issue a series of materially false and misleading statements. These statements remained uncorrected until October 6, 2005.

37. On February 14, 2002, the Individual Defendants caused or allowed the Company to issue a press release entitled "Stone Energy Corporation Announces 2001 Year-End Reserves and 2002 Capital Expenditures Budget" in which it announced year-end reserves for FY:01. With regards to its reserves, the article stated, in pertinent part, as follows:

> Stone Energy today reported its 2001 year-end reserves and preliminary results of its 2001 capital expenditures program. With new reserves of 464.5 Bcfe and utilizing

> estimated production, before adjustment for the volumetric production payment, Stone increased pre-merger reserves by 4% and reserves per share by 37% at a total estimated cost of $2.05 Mcfe. The reserve volumes were based upon the recently completed independent engineering reports of its estimated proved oil and gas reserves dated as of December 31, 2001. All cost and production information are based on preliminary estimates subject to Stone's annual audit of its financial statements.

38. On March 4, 2002, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Fourth Quarter Results" in which it announced financial results for Q4:01. For the year, the Company reported adjusted net income of $103.9 million or $3.93 per share.

39. On March 19, 2002, the Individual Defendant's caused or allowed Stone Energy to file a fy:01 Form 10-K, which was signed by defendants Stone, Canty, Prince, Barker, Bernhard, Duplantis, Gary, Laborde, Pattarozzi and Voelker. With regard to its reserves, the annual report stated, in pertinent part, as follows:

> RESERVES. At December 31, 2001, our estimated proved oil and gas reserves totaled 775.0 Bcfe, compared to December 31, 2000 reserves of 600.3 Bcfe. Estimated proved gas reserves grew to 442.7 Bcf at the end of 2001 from 398.5 Bcf at year-end 2000, and estimated proved oil reserves grew to 55.4 MMBbls at the end of 2001 from 33.6 MMBbls at the beginning of the year.
>
> The increases in our 2001 estimated proved reserve volumes were primarily attributable to drilling results and acquisitions during the year. The reserve estimates were prepared by independent petroleum consultants in accordance with guidelines established by the SEC. Adherence to these guidelines limited us in booking reserves on successfully drilled wells to the extent of the base of known productive sands. Actual limits of the productive sands will ultimately be determined through production or additional drilling.
>
> Our present values of estimated future net cash flows before income taxes were $1.0 billion and $2.9 billion at December 31, 2001 and 2000, respectively. You should not assume that the present values of estimated future net cash flows represent the fair value of our estimated oil and gas reserves. As required by the SEC, we determine the present value of estimated future net cash flows using market prices for oil and gas on the last day of the fiscal period. The average year-end oil and gas prices on all of our properties used in determining these amounts, excluding the effects of hedges in place at year-end, were $18.64 per barrel and $2.79 per Mcf for 2001 and $27.30 per barrel and $9.97 per Mcf for 2000.
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> * * *
>
> RESERVES. Estimates of our oil and gas reserves are prepared by our independent petroleum and geological engineers. Proved reserves and the cash flow related to these reserves are estimated based upon a combination of historical data and

> estimates of future activity. Reserve estimates are used in calculating DD&A and in preparation of the full cost ceiling test.
>
> * * *
>
> NOTE 13 -- OIL AND GAS RESERVE INFORMATION - UNAUDITED:
>
> Our net proved oil and gas reserves at December 31, 2001 have been estimated by independent petroleum consultants in accordance with guidelines established by the Securities and Exchange Commission ("SEC"). Accordingly, the following reserve estimates are based upon existing economic and operating conditions at the respective dates.

40. On May 1, 2002, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces 28% Increase in Daily Production Rate for First Quarter 2002" in which it announced its financial results for Q1:02, the period ended March 31, 2002. For the quarter, the Company reported net income of $39.3 million, or $1.49 per share, and net cash flow of $96.7 million, or $3.66 per share.

41. On May 9, 2002, the Individual Defendants caused or allowed Stone Energy to file a Q1:02 Form 10-Q with the SEC, which was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2001 Annual Report.

42. On August 5, 2002, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Record Quarterly Production and Highlight Stone's Results" in which it announced its financial results for Q2:02, the period ended June 30, 2002. For the quarter, the Company reported net income of $29.1 million, or $1.10 per share, and net cash flow from operations excluding working capital changes of $88.3 million, or $3.34 per share.

43. On August 14, 2002, the Individual Defendants caused or allowed Stone Energy to file a Q2:02 Form 10-Q with the SEC, which was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves,

found in Stone Energy's 2001 Annual Report. With regard to its credit facility, the quarterly report stated, in pertinent part, as follows:

> Borrowings outstanding at June 30, 2002 under our bank credit facility totaled $145.0 million, and letters of credit totaling $7.3 million have been issued under the facility. The borrowing base under the credit facility was increased to $300.0 million during June 2002. At June 30, 2002, we had $147.7 million of borrowings available under the credit facility and the weighted average interest rate under the credit facility was approximately 3.3%. The credit facility matures on December 20, 2004. ***The borrowing base limitation is re-determined periodically and is based on a borrowing amount established by the bank group resulting from an evaluation of the value of our proved oil and gas reserves.***

> On November 11, 2002, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Third Quarter 2002 Results " in which it announced its financial results for Q3:02, the period ended September 30, 2002. For the quarter, the Company reported net income of $13.7 million, or $0.52 per share, on oil and gas revenues of $94.5 million.

44. The Individual Defendants caused or allowed Stone Energy to file a Form Q3:02 10-Q with the SEC, which was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2001 Annual Report. With regard to its credit facility, the quarterly report stated, in pertinent part, as follows:

> Bank Credit Facility. As of November 8, 2002, we had a borrowing base under our credit facility of $300.0 million with availability of $156.7 million in borrowings. The credit facility matures on December 20, 2004. ***The borrowing base under the credit facility, which is re-determined periodically, is based on an amount established by the bank group resulting from an evaluation of the value of our proved oil and gas reserves.***

45. On February 18, 2003, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces 2002 Year-End Reserves and 2003 Capital Expenditures Budget" in which it announced its 2002 year-end reserves and 2003 capital expenditures budget. For the period ended December 31, 2002, total estimated proved reserves in equivalent cubic feet of gas (Bcfe) was 750.8.

46. On March 10, 2003, the Individual Defendants caused or allowed Stone Energy to issue a press release announcing its financial results for Q4:02, the period ended December 31, 2002. For the quarter, the Company reported net income of $19.5 million, or $0.74 per share, on oil and

gas revenue of $102.0 million. For the year 2002, Stone recorded net income of $55.4 million, or $2.09 per share, on oil and gas revenue of $377.5 million.

47. On March 19, 2003, the Individual Defendants caused or allowed Stone Energy to file a FY:02 Form 10-K with the SEC. With regard to its reserves, the annual report stated, in pertinent part, as follows:

> Reserves. At December 31, 2002, our estimated proved oil and gas reserves totaled 750.8 Bcfe, compared to December 31, 2001 reserves of 775.0 Bcfe. The 3% decline in estimated proved reserves during 2002 was the combined result of 2002's record production, the exploration portion of our drilling program providing less than expected reserve additions and the lack of a material acquisition during 2002. Estimated proved natural gas reserves totaled 438.7 Bcf and estimated proved oil reserves totaled 52.0 MMBbls at the end of 2002.
>
> The reserve estimates were prepared by independent petroleum consultants in accordance with guidelines established by the SEC. Adherence to these guidelines limited us in booking reserves on successfully drilled wells to the extent of the base of known productive sands. Actual limits of the productive sands will ultimately be determined through production or additional drilling.
>
> Our present values of estimated future net cash flows before income taxes were $1.8 billion and $1.0 billion at December 31, 2002 and 2001, respectively. You should not assume that the present values of estimated future net cash flows represent the fair value of our estimated oil and natural gas reserves. As required by the SEC, we determine the present value of estimated future net cash flows using market prices for oil and gas on the last day of the fiscal period. The average year-end oil and gas prices on all of our properties used in determining these amounts, excluding the effects of hedges in place at year-end, were $30.41 per barrel and $4.86 per Mcf for 2002 and $18.64 per barrel and $2.79 per Mcf for 2001.

With regard to its credit facility, the annual report stated, in pertinent part, as follows:

> Bank Credit Facility. At December 31, 2002, we had $131.0 million of borrowings outstanding under our credit facility and letters of credit totaling $13.1 million had been issued pursuant to the facility. We have a borrowing base under the credit facility of $300 million, with availability of an additional $160.9 million in borrowings as of March 10, 2003. ***Our borrowing base under the credit facility, which is re-determined periodically, is based on an amount established by the bank group after its evaluation of our proved oil and gas reserve values.***

48. The Form 10-K was signed pursuant to the requirements of the Securities Exchange Act of 1934 by defendants Stone, Canty, Prince, Barker, Bernhard, Duplantis, Gary, Laborde, Pattarozzi and Voelker. Further, the Form 10-K was certified pursuant to Section 302 of the Sarbanes Oxley Act of 2002 by defendants R. Stone and Canty. The certifications provided in part:

> Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made,

> in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
>
> Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

49. On May 7, 2003, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces 773% Growth in Comparable Quarterly Earnings and Deep Gas Discovery in Coastal Louisiana Waters" in which it announced its financial results for Q1:03, the period ended March 31, 2003. For the quarter, the Company reported net income of $55.9 million, or $2.11 per share.

50. On May 13, 2003, the Individual Defendants caused or allowed Stone Energy to file ITS Q1:03 Form 10-Q with the SEC. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2002 Annual Report. With regard to its credit facility, the quarterly report stated, in pertinent part, as follows:

> Bank Credit Facility. At March 31, 2003, we had $111.0 million of borrowings outstanding under our bank credit facility. Letters of credit totaling $13.1 million have been issued under the facility. During the first quarter of 2003, we repaid $20.0 million of borrowings under the credit facility. We currently have a loan base under the credit facility of $300 million with availability of an additional $175.9 million in borrowings as of May 5, 2003. The credit facility matures on December 20, 2004. ***Our borrowing base under the credit facility, which is re-determined periodically, is based on an amount established by the bank group after its evaluation of our proved oil and gas reserve values.***

51. The Q1:03 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Prince certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:

> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
>
> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

52. On August 4, 2003, the Individual Defendants caused or allowed Stone Energy issued a press release entitled "Stone Energy Corporation Announces Second Quarter 2003 Results" in which it announced its financial results for the second quarter of 2003, the period ended June 30, 2003. For the quarter, the Company reported net income of $28.6 million, or $1.08 per share. Defendant Canty, commenting on the results, stated, in pertinent part, as follows:

> We have achieved outstanding results from our drilling program through the first half of the year. While disappointed that we are behind schedule bringing on production from several important discoveries, I am delighted that we are well ahead of our annual internal goals for reserve replacement and finding cost based on what we have accomplished principally with the drill bit.

53. On August 8, 2003, the Individual Defendants caused or allowed Stone Energy to file a Q2:03 Form 10-Q filed with the SEC on or about August 8, 2003. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2002 Annual Report. With regard to its credit facility, the quarterly report stated, in pertinent part, as follows:

> Bank Credit Facility. At June 30, 2003, we had $76.0 million of borrowings outstanding under our bank credit facility. Letters of credit totaling $13.1 million have been issued pursuant to the facility. During 2003, we repaid $55.0 million of borrowings under the credit facility. Effective June 9, 2003, the borrowing base under the credit facility was increased to $325 million. At August 1, 2003, we had $235.9 million of borrowings available under the credit facility and the weighted average interest rate under the credit facility was approximately 2.4%. The credit facility matures on December 20, 2004. ***Our borrowing base under the credit facility, which is redetermined periodically, is based on an amount established by the bank group after its evaluation of our proved oil and gas reserve values.***

54. The Q2:03 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Prince signed certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:

> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
>
> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

55. On November 3, 2003, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Third Quarter 2003 Results" in which it announced its financial results for Q3:03, the period ended September 30, 2003. For the quarter, the Company reported net income of $22.8 million, or $0.86 per share. Defendant Canty, commenting on the results, stated, in pertinent part, as follows:

> I believe we have turned the corner on the issue of production and are beginning to harvest the fruits of our drilling labors. This has been a very good drilling year for Stone with impactful discoveries so far on our Canvasback, Can of Corn, Seagull and our four presidents prospects. Our drilling success rate of 84% is particularly gratifying given the fact that nearly 60% of our capital expenditures have been allocated to exploratory drilling. At a time when production has been lower than we had hoped, we have generated record cash flow for the first nine months of the year. We have used this cash flow to successfully reinvest in, and add to, our property base and pay down debt.

56. On November 5, 2003, the Individual Defendants caused or allowed Stone Energy to file a Q3:03 Form 10-Q filed with the SEC. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2002 Annual Report. With regard to its credit facility, the quarterly report stated, in pertinent part, as follows:

> Bank Credit Facility. At September 30, 2003, we had $160.0 million of borrowings outstanding under our bank credit facility. Letters of credit totaling $13.1 million have also been issued pursuant to the facility. During 2003, we repaid $61.0 million of borrowings under the credit facility and borrowed an additional $90.0 million in connection with the retirement of the 8¾% Senior Subordinated Notes. Effective November 1, 2003, the borrowing base under the credit facility was increased to $350 million. At November 3, 2003, we had $176.9 million of borrowings available under the credit facility and the weighted average interest rate under the credit facility was approximately 2.5%. The credit facility matures on June 20, 2005. ***Our borrowing base under the credit facility, which is re-determined periodically, is based on an amount established by the bank group after its evaluation of our estimated proved oil and gas reserve values.***

57. The Q3:03 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Prince signed certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:

> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

58. On February 16, 2004, the Individual Defendants caused or allowed the Company issued a press release entitled "Stone Energy Corporation Announces 167% Reserve Replacement in 2003" in which it announced its estimated proved oil and gas reserves dated as of December 31, 2003. Total proved reserves were estimated to be 816.3 billion cubic feet of gas equivalent (Bcfe).

59. On March 8, 2004, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Fourth Quarter and Year-End Results" in which it announced its Q4:03 financial results, the period ended December 31, 2003. For the quarter, the Company reported net income of $27.2 million, or $1.02 per share. For the year, the Company reported net income of $134.5 million, or $5.07 per share.

60. On March 12, 2003, the Individual Defendants caused or allowed Stone Energy to file its FY:03 Form 10-K filed with the SEC. With regard to its reserves, the annual report stated, in pertinent part, as follows:

> Reserves. At December 31, 2003, our estimated proved oil and gas reserves totaled 816.3 Bcfe, compared to December 31, 2002 reserves of 750.8 Bcfe. The 9% increase in estimated proved reserves during 2003 was the combined result of drilling results and acquisitions made during the year. Estimated proved natural gas reserves totaled 461.3 Bcf and estimated proved oil reserves totaled 59.2 MMBbls at the end of 2003. The reserve estimates were prepared by independent petroleum consultants in accordance with guidelines established by the SEC.
>
> Our present values of estimated future net cash flows before income taxes were $2.4 billion and $1.8 billion at December 31, 2003 and 2002, respectively. You should not assume that the present values of estimated future net cash flows represent the fair value of our estimated oil and natural gas reserves. As required by the SEC, we determine the present value of estimated future net cash flows using market prices for oil and gas on the last day of the fiscal period. The average year-end oil and gas prices on all of our properties used in determining these amounts, excluding the effects of hedges in place at year-end, were $31.79 per barrel and $6.30 per Mcf for 2003 and $30.41 per barrel and $4.86 per Mcf for 2002.

With regard to its credit facility, the annual report stated, in pertinent part, as follows:

> Bank Credit Facility. At December 31, 2003, we had $170.0 million of borrowings outstanding under our credit facility and letters of credit totaling $13.1 million had been issued pursuant to the facility. We have a borrowing base under the credit facility of $350 million, with availability of an additional $157.9 million in borrowings as of March 1, 2004. ***Our borrowing base under the credit facility,***

> ***which is re-determined periodically, is based on an amount established by the bank group after its evaluation of our proved oil and gas reserve values.***

61. The Form 10-K was signed pursuant to the requirements of the Securities Exchange Act of 1934 by defendants Stone, Canty, Prince, Barker, Bernhard, Duplantis, Gary, Laborde, Pattarozzi and Voelker. Further, the Form 10-K was certified pursuant to Section 302 of the Sarbanes Oxley Act of 2002 by defendants R. Stone and Canty. The certifications provided in part:

> Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
>
> Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

62. On May 5, 2004, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces First Quarter Earnings and $500 Million Credit Facility" in which it announced its financial results for Q1:04, the period ended March 31, 2004. For the quarter, the Company reported net income of $35.8 million, or $1.33 per share, on oil and gas revenue of $133.6 million. The Individual Defendants also caused or allowed the Company to announce that, effective April 30, 2004, it entered into a four-year $500 million senior unsecured credit agreement with a syndicated bank group. The credit agreement has an initial borrowing base of $425 million and replaces the previous $350 million credit agreement. The borrowing base under the credit facility is re-determined periodically based on the bank group's evaluation of the Company's proved oil and gas reserves.

63. On May 7, 2004, the Individual Defendants caused or allowed Stone Energy to file its Q1:04 Form 10-Q with the SEC on or about May 7, 2004. The quarterly report incorporated as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2003 Annual Report. With regard to its credit facility, the annual report stated, in pertinent part, as follows:

> Bank Credit Facility. At March 31, 2004, we had $179.0 million of borrowings outstanding under our bank credit facility. Letters of credit totaling $13.1 million have been issued under the facility. On April 30, 2004, the Company entered into a

> new $500 million senior unsecured credit facility with a syndicated bank group that matures on April 30, 2008. We currently have a loan base under the new credit facility of $425 million with availability of an additional $232.9 million in borrowings as of May 3, 2004. ***Our borrowing base under the credit facility is re-determined periodically based on the bank group's evaluation of our proved oil and gas reserves.***
>
> The Q1:04 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Prince signed certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:
>
> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
>
> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

64. On August 9, 2004, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Second Quarter 2004 Results" in which it announcedits financial results for the second quarter of 2004, the period ended June 30, 2004. For the quarter, the Company reported net income of $35.9 million, or $1.33 per share, on oil and gas revenue of $142.2 million.

65. On August 9, 2004, the Individual Defendants caused or allowed Stone Energy to file a Q2:04 Form 10-Q filed with the SEC on or about August 9, 2004. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2003 Annual Report. With regard to its credit facility, the annual report stated, in pertinent part, as follows:

> Bank Credit Facility. On April 30, 2004, we entered into a four-year $500 million senior unsecured credit facility with a syndicated bank group. The new facility has an initial borrowing base of $425 million and replaces the previous $350 million credit facility. Borrowings outstanding at June 30, 2004 under our bank credit facility totaled $192.0 million, and letters of credit totaling $13.1 million have been issued under the facility. At August 6, 2004, we had $230.9 million of borrowings available under the credit facility and the weighted average interest rate under the credit facility was approximately 2.8%. ***The borrowing base under the new credit facility is re-determined periodically based on the bank group's evaluation of our proved oil and gas reserves.***

66. The Q2:04 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Prince signed certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:

> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
>
> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

67. On November 3, 2004, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Third Quarter 2004 Results" in which it announced its financial results for the third quarter of 2004, the period ended September 30, 2004. For the quarter, the Company reported net income of $25.6 million, or $0.95 per share, on oil and gas revenue of $128.3 million.

68. On November 8, 2004, the Individual Defendants caused or allowed Stone Energy to file its Q3:04 Form 10-Q with the SEC on or about November 8, 2004. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2003 Annual Report. With regard to its credit facility, the annual report stated, in pertinent part, as follows:

> Bank Credit Facility. On April 30, 2004, we entered into a four-year $500 million senior unsecured credit facility with a syndicated bank group. The new facility has an initial borrowing base of $425 million and replaces the previous $350 million credit facility. Borrowings outstanding at September 30, 2004 under our bank credit facility totaled $170.0 million, and letters of credit totaling $13.1 million have been issued under the facility. At November 4, 2004, we had $241.9 million of borrowings available under the credit facility and the weighted average interest rate under the credit facility was approximately 3.1%. ***The borrowing base under the new credit facility is re-determined periodically based on the bank group's evaluation of our proved oil and gas reserves.***

69. The Q3:04 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Princesigned certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:

> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
>
> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

70. On November 18, 2004, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Completion of Preferential Rights Acquisition" in which it announced that it acquired additional working interests in South Timbalier Blocks 143, 164, 165, 166 and 171. The acquisition cost, net of purchase price adjustments, totaled approximately $106 million, which was financed with borrowings under the Company's bank credit facility.

71. On December 27, 2004, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Acreaga Aqcuisition in Williston Basin" in which it announced that it signed a purchase and sale agreement to acquire approximately 35,000 net exploration acres in the Williston Basin of North Dakota and Montana from a small independent company effective January 1, 2005. The acquisition cost of approximately $85 million is expected to be funded with borrowings under the Company's bank credit facility.

72. On February 21, 2005, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Year-End Proved Reserves and Operational Update" in which it announced its estimated proved oil and gas reserves dated as of December 31, 2004. Total proved reserves were estimated to be 825 billion cubic feet of gas equivalent (Bcfe).

73. On March 1, 2005, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Fourth Quarter and Year-End Earnings 2004" in which it announced its financial results for Q4:04, the period ended December 31, 2004. For the quarter, the Company reported net income of $37.7 million or $1.40 per share on oil

and gas revenue of $140.1 million for the fourth quarter of 2004. For the year, the Company reported net income of $134.9 million or $5.01 per share on revenue of $544.2 million.

74. On March 9, 2005, the Individual Defendants caused or allowed Stone Energy to file its FY:04 Form 10-K with the SEC. With regard to its reserves, the annual report stated, in pertinent part, as follows:

> Reserves. At December 31, 2004, our estimated proved oil and gas reserves totaled 825.0 Bcfe, compared to December 31, 2003 reserves of 816.3 Bcfe. The increase in estimated proved reserves during 2004 was the combined result of drilling results and acquisitions made during the year. Estimated proved natural gas reserves totaled 485.6 Bcf and estimated proved oil reserves totaled 56.6 MMBbls at the end of 2004. The reserve estimates were determined by independent petroleum consultants in accordance with guidelines established by the SEC.
>
> Our standardized measure of discounted future net cash flows was $1.9 billion and $1.8 billion at December 31, 2004 and 2003, respectively. You should not assume that these estimates of future net cash flows represent the fair value of our estimated oil and natural gas reserves. As required by the SEC, we determine these estimates of future net cash flows using market prices for oil and gas on the last day of the fiscal period. The average year-end oil and gas prices on all of our properties used in determining these amounts, excluding the effects of hedges in place at year-end, were $41.14 per barrel and $6.58 per Mcf for 2004 and $31.79 per barrel and $6.30 per Mcf for 2003.

With regard to its credit facility, the annual report stated, in pertinent part, as follows:

> Bank Credit Facility. At March 1, 2005, we had $158.0 million of borrowings outstanding under our credit facility and letters of credit totaling $13.1 million had been issued pursuant to the facility. We have a borrowing base under the credit facility of $400 million, with availability of an additional $228.9 million in borrowings as of March 1, 2005. ***Our borrowing base under the credit facility, which is re-determined periodically, is based on an amount established by the bank group after its evaluation of our estimated proved oil and gas reserves.***

75. The Form 10-K was signed pursuant to the requirements of the Securities Exchange Act of 1934 by defendants Stone, Canty, Prince, Barker, Bernhard, Duplantis, Gary, Laborde, Pattarozzi and Voelker. Further, the Form 10-K was certified pursuant to Section 302 of the Sarbanes Oxley Act of 2002 by defendants R. Stone and Canty. The certifications provided in part:

> Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
>
> Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial

> condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

76. On May 4, 2005, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces First Quarter 2005 Earnings" in which it announced its financial results for the first quarter of 2005, the period ended March 31, 2005. For the quarter, the Company reported net income of $37.3 million, or $1.38 per share, on oil and gas revenue of $156.2 million. With regard to the Company's 2005 outlook, the press release stated, in pertinent part, as follows:

> 2005 Guidance
>
> Production. Stone expects second quarter 2005 net daily production to average 260-280 MMcfe. Also, Stone expects full year 2005 production growth of 8%-16% over 2004 production volumes, which is a slight increase of the upper end of the range from the previous forecast of 8%-14%. Coincidentally, the revised full-year forecasted net daily production rates results in an average of 260-280 MMcfe, which is consistent with expected average net daily production for the second quarter of 2005.
>
> Operating Expenses. For the second quarter of 2005, lease operating expenses are expected to total between $29-$32 million based upon known operating conditions and maintenance activities. Lease operating expenses, which include major maintenance costs, vary in response to changes in prices of service and materials used in the operation of our properties and the amount of maintenance activity required.
>
> Estimates for Stone's future production are based on assumptions of capital expenditure levels and the assumption that market demand and prices for oil and gas will continue at levels that allow for economic production of these products. The production, transportation and marketing of liquids and gas are complex processes that are subject to disruption due to transportation and processing availability, mechanical failure, human error, meteorological events including, but not limited to, hurricanes, earthquakes, and numerous other factors. Our estimates are based on certain other assumptions, such as well performance, which may vary significantly from those assumed. Therefore, we can give no assurance that our future production will be as estimated.

77. On May 6, 2004, the Individual Defendants caused or allowed Stone Energy to file a Q1:05 Form 10-Q with the SEC. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2004 Annual Report. With regard to its credit facility, the quarterly report stated, in pertinent part, as follows:

> Bank Credit Facility. At March 31, 2005, we had $158.0 million of borrowings outstanding under our bank credit facility. Letters of credit totaling $13.1 million have been issued under the facility. On April 30, 2004, the Company entered into a new $500 million senior unsecured credit facility with a syndicated bank group that matures on April 30, 2008. We currently have a loan base under the new credit facility of $425 million with availability of an additional $253.9 million in borrowings as of May 3, 2005. ***Our borrowing base under the credit facility is re-determined periodically based on the bank group's evaluation of our proved oil and gas reserves.***

78. The Q1:05 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Princesigned certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:

> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
>
> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

79. On June 16, 2005, the Individual Defendants caused or allowed the Company to issue a press release entitled "Stone Energy Corporation Announces Early Success in New Basin" in which it announced that its initial well drilled in the Williston Basin was successful. The press release continued, in pertinent part, as follows:

> The Bonnie 1-5H Well, Stone's first dual horizontal Bakken well, has been drilled and placed on production. The Bakken pay at 10,370 feet was encountered in two open hole laterals. Each horizontal lateral in the wellbore was successfully drilled to a total measured depth of 15,000 feet with average gross production flowing at approximately 890 barrels of oil equivalent per day. Stone has a 50% working interest and 41.7% net revenue interest in this well. "This success confirms our investment in the Williston Basin and our efforts toward diversification of our asset base," stated David H. Welch, president and chief executive officer.
>
> Stone's second well, the Charles Nevin 1-12H, is currently drilling at 10,355 feet with the first of two Bakken laterals to be commenced in June. Stone expects to drill approximately 22 gross wells in the Williston Basin during 2005 with the utilization of two additional rigs by August 2005 as it continues to explore its Williston Basin acreage position that currently totals approximately 155,000 net acres.

80. On August 2, 2005, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Second Quarter 2005 Earnings"

in which it announced its financial results for the Q2:05, the period ended June 30, 2005. For the quarter, the Company reported net income of $48.5 million, or $1.79 per share, on oil and gas revenue of $185.2 million. With regard to the Company's 2005 outlook, the press release stated, in pertinent part, as follows:

> 2005 Guidance
>
> Production. Stone expects third quarter 2005 net daily production to average 260-280 MMcfe, which includes the impact of shut-ins from Tropical Storm Cindy and Hurricane Dennis as well as an estimate for other potential storm related interruptions. Stone expects full year 2005 net average daily production rates of 260-280 MMcfe.
>
> Estimates for Stone's future production are based on assumptions of capital expenditure levels and the assumption that market demand and prices for oil and gas will continue at levels that allow for economic production of these products. The production, transportation and marketing of liquids and gas are complex processes that are subject to disruption due to transportation and processing availability, mechanical failure, human error, meteorological events including, but not limited to, hurricanes, earthquakes, and numerous other factors. Our estimates are based on certain other assumptions, such as well performance, which may vary significantly from those assumed. Therefore, we can give no assurance that our future production will be as estimated.

81. On August 5, 2005 the Individual Defendants caused or allowed Stone Energy to file its Q2:05 Form 10-Q with the SEC. The quarterly report incorporates as reference the Company's critical accounting policies, including its policy for proved oil and gas reserves, found in Stone Energy's 2004 Annual Report. With regard to its credit facility, the quarterly report stated, in pertinent part, as follows:

> Bank Credit Facility. At June 30, 2005, we had $158.0 million of borrowings outstanding under our bank credit facility and letters of credit totaling $13.1 million have been issued under the facility. We currently have a loan base under the credit facility of $425 million. At June 30, 2005, we had $253.9 million of borrowings available under the credit facility and the weighted average interest rate was approximately 4.8%. On July 29, 2005 we repaid $20.0 million of outstanding borrowings under the credit facility increasing the availability to $273.9 million. **Our borrowing base under the credit facility is re-determined periodically based on the bank group's evaluation of our proved oil and gas reserves.** [Emphasis added.]

82. The Q2:05 Form 10-Q was signed by defendant Prince pursuant to the requirements of the Securities Exchange Act of 1934. Further defendants Stone and Princesigned certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002. The certifications provided in part:

> Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
>
> Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

REASONS THE STATEMENTS WERE IMPROPER

83. The statements referenced above were each materially false and misleading when made because they failed to disclose the following non-public, material and adverse facts, among others:

(b) that Stone Energy was materially overstating its financial results by overvaluing its oil reserves through improper and aggressive reserve methodologies. As detailed herein, Stone Energy has now launched an internal investigation into its reserve practices and admitted that it overstated its oil reserves and that it will be restating its financial statements for 2001 to 2004 and for the first six months of 2005;

(c) that the Company lacked adequate internal controls and was therefore unable to ascertain its true financial condition; and

(d) that as a result of the foregoing, the values of the Company's proven reserves, assets and future net cash flows were materially overstated at all relevant times.

84. On October 6, 2005,the Individual Defendants caused or allowed the Company to shock the market by issuing a press release entitled "Stone Energy Corporation Provides Production and Hurricane Update and Revisions to Reserves" in which it provided an update to its production

guidance that has been impacted by Hurricanes Katrina and Rita and an update on estimated proved reserves. The press release stated, in pertinent part, as follows:

> Production Guidance
>
> Stone's previous production guidance for both the third quarter and full year 2005 was 260-280 million cubic feet equivalent (MMcfe) per day. After adjusting for the effects of the hurricanes, Stone's third quarter production estimate is 212 MMcfe per day, and guidance for the full year is 230-245 MMcfe per day. This would suggest fourth quarter guidance of 180-220 MMcfe per day. Stone is currently producing at 95 MMcfe per day and expects to increase volumes throughout the fourth quarter as platform repairs and third party pipeline and processing plant repairs are completed. Depending on the timing of these repairs, the exit rate for the year is expected to exceed 250 MMcfe per day.
>
> Effects of Hurricanes
>
> In addition to the three platforms previously disclosed as lost in Hurricane Rita, Stone also identified five lesser structures or caissons that were lost during the hurricane. The total volumes impacted by all of the lost operated structures total approximately 24 MMcfe per day, and there was an additional 10 MMcfe per day lost from non-operated structures. Stone is evaluating options to recover this production, including subsea connections to existing pipelines, redrilling from existing platforms, and rerouting production onto alternate existing platforms, and expects to ultimately bring back 25-30 MMcfe per day of this lost volume.
>
> Estimated Proved Reserves
>
> During the third quarter, Stone conducted an internal reserve review for all of its fields, including using a third party outside engineering firm to review and re-map several of its largest Gulf of Mexico fields. Based on this review, Stone estimates that its proved reserves at September 30, 2005 were approximately 670 billion cubic feet equivalent (Bcfe). A full reserve report by third party engineering firms will be performed at year end.

The following is a reconciliation of Stone's December 31, 2004 estimated proved reserves with its current estimated proved reserves:

Proved reserves as of December 31, 2004	825 Bcfe
Hurricane losses	(10)
Revisions of previous estimates	(161)
Extensions, discoveries and other additions	70
Purchase of producing properties	15
Production	(69)

Estimate of proved reserves as of September 30, 2005	670 Bcfe

> The revisions are not expected to have a material impact on Stone's near term production volumes. Approximately 53 Bcfe and 20 Bcfe of the downward revisions were attributable to Stone's Ewing Bank 305 and South Pelto 23 fields, respectively. Stone is evaluating the impact of these revisions and expects that its results of operations will include an increase in the depletion rate for the third and fourth quarters of 2005, as well as for future periods. The timing and amount of such increase has not yet been determined. No determination has been made as to the impact, if any, on prior periods. Stone's Audit Committee of its Board of Directors has engaged outside consultants to review these matters.

85. Upon this announcement, the value of Stone Energy's market capitalization fell almost 14% or over $800 million dollars.

86. On November 9, 2005, the Individual Defendants caused or allowed Stone Energy to issue a press release entitled "Stone Energy Corporation Announces Restatement of Historical Financial Statements and Provides Third Quarter 2005 Selected Financial Data and Operational update" in which the Company announced that it will restate certain historical financial statements and provided selected financial data from FY:01 to FY:04 and for the first six months of FY:05. The press release continued, in pertinent part, as follows:

> On October 6, 2005, Stone announced a downward revision of its proved reserves of approximately 171 billion cubic feet of natural gas equivalent (Bcfe). Since the announcement, Stone has been reviewing whether portions of the revision should be applied to prior years, which might result in a restatement of prior years' financial statements and related supplemental oil and gas reserve disclosures. Based on Stone's internal review, a restatement of the financial statements will be required for the periods from 2001 to 2004 and for the first six months of 2005. Accordingly, the 2004 financial statements and the independent registered public accounting firm's report related to the fiscal 2004 period contained in Stone's prior filings with the Securities and Exchange Commission ("SEC") should no longer be relied upon. Stone will amend its Form 10-K for the year ended December 31, 2004 and its quarterly reports on Form 10-Q for the periods ended March 31, 2005 and June 30, 2005. Stone hopes to file the amended reports and the Form 10-Q for the period ended September 30, 2005 by November 14, 2005, but no assurance can be given that the filings will be made by that date.
>
> Stone and its audit committee are actively working to implement controls and procedures that will ensure the integrity of the company's reserve booking process. The following controls are either in place or are being implemented for reserve booking: (i) improved training regarding SEC guidelines, (ii) revisions of documentation procedures and controls, (iii) the continued use of one or more independent third party engineering firms, (iv) the formation of a specific reserves

> committee of the board of directors to review the reserve booking process, and (v) appointment of a reservoir engineer as Vice President, Reserves. On November 4, 2005, Davis Polk & Wardwell issued a preliminary oral report to the audit committee of Stone's board of directors that was critical of certain past reserve estimation and review practices and methodologies and made recommendations consistent with the implementation of controls and procedures outlined above. Davis Polk has been engaged by the audit committee to assist in its investigation of Stone's reserve revisions. Davis Polk advised the audit committee that its investigation was not complete, but preliminary findings have indicated inadequate training and understanding of the SEC requirements for booking reserves. Davis Polk also reported that in the past there appears to have been a tone of optimism and aggressiveness set by management regarding reserve booking.

87. On November 10, 2005, the Individual Defendants caused or allowed the Company to issue a press release entitled "Stone Energy Corporation Announces SEC Inquiry" in which the Company announced that it received notice that the staff of the SEC is conducting an informal inquiry into the revision of proved hydrocarbon reserves as announced in Stone Energy's October 6, 2005 press release and the financial statement restatement as announced in its November 8, 2005 press release.

88. On December 5, 2005, the Individual Defendants caused or allowed the Company to issue a press release entitled "Stone Energy Corporation Announces Findings of Independent Review" which provided the results of an independent review by the audit committee concerning the downward revisions to its proved reserves. The release stated, in pertinent part, as follows:

> Stone Energy Corporation today announced the findings of the independent review by the audit committee of Stone's board of directors concerning the downward revisions to its proved reserves.
>
> On October 6, 2005, Stone announced a downward revision of its proved reserves of approximately 171 billion cubic feet of natural gas equivalent (Bcfe), and on November 8, 2005, Stone announced that it will restate certain historical financial statements. In addition, Stone had previously disclosed that the law firm of Davis Polk & Wardwell, which had been engaged by the audit committee to assist in its investigations of the reserve revisions, had issued a preliminary report to the audit committee.
>
> Davis Polk presented its final report to the Stone audit committee and board of directors on November 29, 2005. the report reiterated a number of findings in Davis Polk's preliminary report, and found that a number of factors at Stone contributed to the write-down of reserves, including the following:
>
> - ***Stone lacked adequate internal guidance or training on the SEC standard for estimating proved reserves***;

- There is evidence that ***some former members of Stone management failed to fully grasp the conservatism of the SEC's "reasonable certainty" standard of booking reserves***; and

- ***There is evidence that there was an optimistic and aggressive "tone form the top" with respect to estimating reserves.*** Some of the Stone technical staff felt pressure to interpret the geological and engineering data in an aggressive manner; and there were several factors that may have prevented or discouraged the technical staff from pushing back against the optimistic tone from the top and the pressure that some perceived with respect to reserve estimation. In addition, there was evidence of a reluctance to write down proved reserves.

As part of its final report, Davis Polk made recommendations, including:

- Adopt and distribute written guidelines to its staff on the SEC reserve reporting requirements;

- Provide training for employees on the SEC requirements;

- Continue to emphasize the difference between the SEC's standard of measuring proved reserves and the criteria that Stone might use in making business decisions; and

- Institute and cultivate a culture of compliance to ensure that the foregoing contributing factors do not recur.

Davis Polk also recommended that Stone's board of directors must review, understand and have confidence in the process of reserve estimation, and in view of the reserves issue, has a heightened obligation to exercise supervisory responsibilities.

Davis Polk acknowledged as positive developments and consistent with some of its recommendations certain recent changes in Stone's reserves estimation process, including the intention to expand the use and scope of reviews and evaluations by outside consulting firms, approval by the CEO of bookings over 5 Bcfe, mandatory training, the reorganization of management responsibilities for the supervision of the reserve estimation process and the formation of a reserves committee of the board of directors.

The Stone audit committee and board of directors have accepted the Davis Polk final report, and the Stone board of directors has resolved to implement all of the recommendations promptly. In addition to implementing the Davis Polk recommendations, Stone will engage outside consulting firms to independently evaluate 100% of Stone's reserves. Stone expects that effort to be completed in 2006. Stone anticipates that all of its estimated proved reserves in the Rocky Mountains and approximately 50% of its Gulf Coast estimated proved reserves will be independently evaluated by outside consulting firms in connection with the preparation of its 2005 audited financial statements. Outside consulting firms will be engaged to review the procedures used by Stone's internal staff in estimating proved reserves for those properties not independently evaluated by outside consulting firms as soon as practicable in 2006.

Following the delivery of the Davis Polk final report, Dr. Peter Canty submitted his resignation as a director, which was accepted by the Stone board of directors. In addition, the board of directors directed management to request the resignations of an officer and senior manager associated with the reserve estimation process.

As previously announces, since the October 6, 2005 announcement of a downward reserve revision, Stone has been reviewing whether portions of the revision should be applied to prior years, which might result in a restatement of prior years' financial statements and related supplemental oil and gas reserve disclosures. Based on Stone's internal review, a restatement of the financial statements will be required for the periods from 2001 to 2004 and for the first six months of 2005. Accordingly, the 2004 financial statements and the independent registered public accounting firm's report related to the fiscal 2004 period contained in Stone's prior filings with the Securities and Exchange Commission should no longer be relied upon. Stone will amend its Form 10-K for the year ended December 31, 2004 and its quarterly reports on Form 10-Q for the period ended September 30, 2005 by mid-December 2005, but no assurance can be given that the filings will be made by that date. As previously announced, Stone has received notice that the staff of the SEC is conducting an informal inquiry into the revision of Stone's proved reserves and the financial statement restatement. Stone is continuing to cooperate with the SEC. In addition, Stone has received an inquiry from the Philadelphia Stock Exchange with respect to matters including trading activity prior to Stone's October 6, 2005 announcement, Stone intends to cooperate with the Philadelphia Stock Exchange inquiry. Finally, Stone has been advised that class action lawsuits have been or will be filed in connection with the reserve revisions. Stone is evaluating the complaints and intends to vigorously defend any lawsuits that are filed. [Emphasis added.]

ILLEGAL INSIDER SELLING

89. While in possession of the undisclosed material adverse information, the Insider Selling Defendants sold the following shares of Stone Energy stock:

NAME	DATE	SHARES	PRICE	PROCEEDS
Robert A. Bernhard	12/1/2005	1,500	$ 44.75	$ 67,125.00
	11/1/2005	1,500	$ 45.39	$ 68,085.00
	10/3/2005	1,500	$ 61.20	$ 91,803.00
	9/1/2005	1,500	$ 52.89	$ 79,330.50
	8/1/2005	1,500	$ 53.59	$ 80,377.50
	7/1/2005	1,500	$ 49.42	$ 74,130.00
	6/7/2005	2,500	$ 45.62	$ 114,050.00
	6/1/2005	1,500	$ 43.74	$ 65,610.00
	6/1/2005	2,500	$ 43.80	$ 109,500.00
	5/31/2005	2,500	$ 43.07	$ 107,675.00
	5/7/2001	5,000	$ 49.30	$ 246,500.00
		23,000		**$ 1,104,186.00**
James H. Stone	4/16/2004	5,000	$ 49.75	$ 248,750.00
	3/31/2004	14,000	$ 49.30	$ 690,170.60
	3/8/2004	5,000	$ 49.00	$ 245,000.00

	3/2/2004	10,000	$	46.75	$	467,500.00
	3/1/2004	25,500	$	45.75	$	1,166,625.00
	2/27/2004	4,300	$	44.75	$	192,425.00
	1/23/2004	3,200	$	44.75	$	143,200.00
	6/12/2003	7,500	$	44.25	$	331,875.00
	6/11/2003	22,500	$	43.25	$	973,125.00
	6/4/2003	13,000	$	42.02	$	546,260.00
	6/2/2003	6,000	$	41.25	$	247,500.00
	5/30/2003	6,000	$	40.75	$	244,500.00
	5/27/2003	11,000	$	40.03	$	440,330.00
	5/27/2003	5,000	$	39.75	$	198,750.00
	5/23/2003	5,000	$	39.25	$	196,250.00
	3/6/2003	1,500	$	34.75	$	52,125.00
	5/7/2003	5,000	$	36.75	$	183,750.00
	5/8/2003	5,000	$	37.30	$	186,500.00
	5/21/2003	5,000	$	38.75	$	193,750.00
	5/16/2003	5,000	$	38.25	$	191,250.00
	5/15/2003	5,000	$	37.75	$	188,750.00
	4/28/2003	5,000	$	36.25	$	181,250.00
	4/22/2003	5,000	$	35.75	$	178,750.00
	4/21/2003	5,000	$	35.21	$	176,050.00
	3/4/2003	1,500	$	34.25	$	51,375.00
	3/5/2003	1,500	$	34.40	$	51,600.00
	3/3/2003	1,500	$	34.26	$	51,390.00
	2/24/2003	3,000	$	34.10	$	102,300.00
	2/25/2003	7,000	$	35.59	$	249,130.00
		199,000			**$**	**8,370,230.60**
Peter D Canty	4/12/2004	110,000	$	49.05	$	5,394,972.00
	4/7/2004	42,000	$	47.93	$	2,012,887.80
	5/27/2003	12,500	$	39.57	$	494,625.00
		164,500			**$**	**7,902,484.80**
John P. Laborde	3/17/2004	**3,333**	$	46.78	**$**	**155,917.74**
Richard A. Pattarozzi	3/16/2005	**1,000**	$	47.96	**$**	**47,960.00**
David R. Voelker	6/16/2005	35,000	$	48.40	$	1,694,000.00
	3/16/2005	5,000	$	47.96	$	239,800.00
	3/16/2005	70,000	$	48.02	$	3,361,400.00
	3/15/2005	10,000	$	48.14	$	481,400.00
	4/8/2004	1,151	$	48.37	$	55,673.87
	3/11/2004	30,000	$	46.23	$	1,386,900.00
	1/9/2004	1,711	$	42.55	$	72,803.05
	1/6/2004	44,000	$	41.86	$	1,841,840.00
	2/20/2003	30,000	$	32.71	$	981,300.00
		226,862			**$**	**10,115,116.92**
Raymond B. Gary	12/7/2001	**3,000**	$	37.03	**$**	**111,090.00**
B. J. Duplantis	3/4/2005	6,000	$	50.54	$	303,240.00
	4/16/2004	1,000	$	50.54	$	50,540.00
	5/13/2002	1,600	$	42.15	$	67,440.00
		8,600			**$**	**421,220.00**

James H. Prince	6/16/2005	10,000	$	48.40	$	484,000.00
	6/8/2005	10,000	$	45.67	$	456,700.00
		20,000			**$**	**940,700.00**

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

90. Plaintiff brings this action derivatively in the right and for the benefit of Stone Energy to redress injuries suffered, and to be suffered, by Stone Energy as a direct result of the breaches of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment, as well as the aiding and abetting thereof, by the Individual Defendants. Stone Energy is named as a nominal defendant solely in a derivative capacity. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

91. Plaintiff will adequately and fairly represent the interests of Stone Energy in enforcing and prosecuting its rights.

92. Plaintiff is and was an owner of the stock of Stone Energy during times relevant to the Individual Defendants' wrongful course of conduct alleged herein, and remains a shareholder of the Company.

93. The current Board of Directors of Stone Energy consists of the following 11 individuals: defendants Stone, Welch, Canty, Laborde, Barker, Christmas, Pattarozzi, Voelker, Gary, Bernhard and Duplantis. Plaintiff has not made any demand on the present Board of Directors of Stone Energy to institute this action because such a demand would be a futile, wasteful and useless act, particularly for the following reasons:

(a) As a result of their access to and review of internal corporate documents; conversations and connections with other corporate officers, employees and directors; and attendance at management and Board meetings, each of the defendants knew the adverse non public information regarding the improper accounting. While in possession of this material adverse non public information regarding the Company, the following current members of the Stone Energy Board participated in the illegal insider selling:

(i) During the Relevant Period, Barnhard sold 23,000 shares of Stone Energy stock for proceeds of $1,104,186.00;

(ii) During the Relevant Period, Stone sold 199.000 shares of Stone Energy Stock for proceeds of $8,370,230.60

(iii) During the Relevant Period, Canty sold 164,000 shares of Stone Energy stock for proceeds of $7,902,484.80;

(iv) During the Relevant Period, Laborde sold 3,333 shares of Stone Energy stock for proceeds of $155,917,74;

(v) During the Relevant Period, Pattarozzi sold 1,000 shares of Stone Energy stock for proceeds of $47,960.00;

(vi) During the Relevant Period, Voelker sold 226,862 shares of Stone Energy stock for proceeds of $10,115,116.92;

(vii) During the Relevant Period, Gary sold 3,000 shares of Stone Energy stock for proceeds of $111,090.00;

(viii) During the Relevant Period, Duplantis sold 8,600 shares of Stone Energy stock for proceeds of $421,220.00;

(ix) During the Relevant Period, Prince sold 20,000 shares of Stone Energy stock for proceeds of $940,700.00;

(x) Because these defendants received a personal financial benefit from the challenged insider trading transactions, these defendants are interested. Also, these defendants face a substantial threat of liability for breach of their fiduciary duties for insider selling. Since these directors have breached their fiduciary duties and are interested, any demand upon them is futile;

(b) The Compensation Committee of the Board (i) annually reviews and approves corporate goals and objectives relevant to CEO compensation, (ii) evaluates the CEO's performance in light of those goals and objectives, (iii) recommends the CEO's compensation levels to the Board based on this evaluation, and (iv) annually reviews and makes recommendations to the Board with respect to the compensation of all directors, officer and other key executives, including incentive-compensation plans and equity-based plans. The Compensation Committee is comprised of defendants Christmas, Pattarozzi, Voelker and Gary. As the members of the Compensation Committee singularly control the other defendants' awards, the remaining members of the Board will not institute this action against defendants Christmas, Pattarozzi, Voelker and Gary. To do so would jeopardize each defendant's personal financial compensation. Thus, demand on defendants Stone, Welch, Canty, Laborde, Barker, Bernhard and Duplantis is futile;

(c) The principal professional occupation of defendant Welch is his employment with Stone Energy, pursuant to which he received and continues to receive substantial monetary compensations and other benefits. Specifically, for FY:04 Stone Energy paid defendant Welch $621,688, respectively, in salary, bonus and other compensation, and granted him/her 1,341,898 options to purchase Stone Energy stock. Accordingly, defendant Welch lacks independence from defendants Stone, Christmas and Pattarozzi, defendants who are not disinterested and/or independent and who exert influence over defendant Welch's compensation by virtue of their position as CEO/President and Chairman of the Board and one-half of the Compensation Committee. This lack of independence renders defendant Welch incapable of impartially considering a demand to commence and vigorously prosecute this action;

(d) According to Stone Energy's Proxy Statement filed with the SEC on or about March 31, 2005, defendants Barker, Voelker, Gary and Barnhard were, during the Relevant Period, members of the Audit Committee. The Audit Committee is responsible for (i) reviewing and discussing with management and the independent public accountants the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommending to the Board whether the audited financial statements should be included in the Comapany's Form 10-K, a(ii) reviewing and discussing with management and the independent public accountants the Company's quarterly financial statements prior to the filing of its Form 10-Q, and (iii) discussing with management the Company's press releases, including the use of "pro forma" or "adjusted" non-GAAP information, and financial information and earnings guidance. Nonetheless the Audit

Committee recommended that the Board of Directors include the improper audited consolidated financial statements in Stone Energy's Annual Report on Form 10 K for the years ended December 31, 2001, December 31, 2002, December 31, 2003 and December 31, 2004, as filed with the SEC. The members of the Audit Committee also caused or allowed the Company to issue false and materially misleading statements in press releases throughout the Relevant Period. By such actions, defendants Barker, Voelker, Gary and Barnhard breached their duties by causing or allowing the improper financials described above. As a result of these defendants' breach of their duties, any demand upon them is futile;

(e) Defendants Canty, Laborde, Barker, Christmas, Pattarozzi, Voelker, Gary, Bernhard and Duplanti as non-employee directors each receive an annual retainer consisting of $30,000. In addition to the annual retainer, these defendants receive a retainer of $1,500 for attending each board meeting and $1,500 for attending each committee meeting. The defendants appointed to chair a Committee are paid an additional fee of $5,000 for the Audit Committee and $3,000 for all other Committees. These defendants also receive an annual grant of options to purchase 3,000 shares of the Company's Common Stock, at an exercise price based on the price of a share of Common Stock as reported on the New York Stock Exchange on the date of grant. Grants are made coincident with the annual grant of options to employees of the Company. Each grant of options does not become fully exercisable until one year after the date of the grant and will expire at the end of ten years. Accordingly, defendants Canty, Laborde, Barker, Christmas, Pattarozzi, Voelker, Gary, Bernhard and Duplanti are interested in maintaining their positions on the Board so as to safeguard their substantial compensation and unvested stock options. Thus, demand upon these defendants is futile;

(f) Defendant Gary, by his specialized financial expertise, was in a unique position to understand the business of Stone Energy, as well as its finances, markets and present and future business prospects. Specifically, defendant Gary is an advisory director at Morgan Stnaley & Co. Inc., an investment banking firm. This defendant, because of his unique qualifications, had a heightened duty to insure the accuracy and fairness of Stone Energy's financials. Nonetheless, defendant Gary breached his duties by causing or allowing the improper financials described herein. As a result of this defendant's breach of his duties, any demand upon him is futile;

(g) Defendant Barker, by his specialized financial expertise, was in a unique position to understand the business of Stone Energy, as well as its finances, markets and present and future business prospects. Specifically, defendant Barker is a retired partner of Goldman Sachs & Co., an investment banking firm. This defendant, because of his unique qualifications, had a heightened duty to insure the accuracy and fairness of Stone Energy financials. Nonetheless, defendant Barker breached his duties by causing or allowing the improper financials described herein. As a result of this defendant's breach of his duties, any demand upon him is futile;

(h) The entire Stone Energy Board of Directors and senior management participated in the wrongs complained of herein. Stone Energy's directors are not disinterested or independent due to the following: defendants Stone, Welch, Canty, Laborde, Barker, Christmas, Pattarozzi, Voelker, Gary, Bernhard and Duplantis served on the Stone Energy Board during the Relevant Period. Pursuant to their specific duties as Board members, each was charged with the management of the Company and to conduct its business affairs. Each of the above referenced defendants breached the fiduciary duties that they owed to Stone Energy and its shareholders in that they failed to prevent and correct the improper financials. Thus, the Stone Energy Board cannot exercise independent objective judgment in deciding whether to bring this action or whether to vigorously prosecute this action because its members are interested personally in the outcome as it is their actions that have subjected Stone Energy to millions of dollars in liability for possible violations of applicable securities laws;

(i) The Individual Defendants, because of their inter related business, professional and personal relationships, have developed debilitating conflicts of interest that prevent the Board members of the Company from taking the necessary and proper action on behalf of the Company as requested herein. In addition to the conflicts that exist as a result of their participation in the improper accounting and insider selling, as detailed herein supra, the majority of the Board, including the defendants listed below, are subject to the following prejudicial entanglements:

(i) ***Stone and Laborde Are Long Time Business Associates***:

Defendant Stone is a director Hibernia National Bank of New Orleans, and has been since 1993. Defendant Laborde is a director emeritus of Hibernia Corporation and Hibernia National Bank. Because of their long standing and entangling business and professional relationships, neither defendant Stone nor defendant Laborde will take the action requested by plaintiff herein against one another or the remainder of the Individual Defendants.

(ii) ***Pattarozzi and Duplantis Are Long Time Business Associates***:

Defendant Pattarozzi is the former Vice President of Shell Offshore Inc. and had been since 1996. Defendant Duplantis is a former employee of Shell Offshore Inc., and has been since 1961. Because of their long standing and entangling business and professional relationships, neither defendant Pattarozzi nor defendant Duplantis will take the action requested by plaintiff herein against one another or the remainder of the Individual Defendants.

(j) The defendant directors of Stone Energy, as more fully detailed herein, participated in, approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from Stone Energy's stockholders or recklessly and/or negligently disregarded the wrongs complained of herein, and are therefore not disinterested parties;

(k) In order to bring this suit, all of the directors of Stone Energy would be forced to sue themselves and persons with whom they have extensive business and personal entanglements, which they will not do, thereby excusing demand;

(l) The acts complained of constitute violations of the fiduciary duties owed by Stone Energy's officers and directors and these acts are incapable of ratification;

(m) Each of the defendant directors of Stone Energy authorized and/or permitted the false statements disseminated directly to the public or made directly to securities analysts and which were made available and distributed to shareholders, authorized and/or permitted the issuance of various of the false and misleading statements and are principal beneficiaries of the wrongdoing alleged herein, and thus could not fairly and fully prosecute such a suit even if such suit was instituted by them;

(n) Any suit by the current directors of Stone Energy to remedy these wrongs would likely expose the Individual Defendants and Stone Energy to further violations of the securities laws that would result in civil actions being filed against one or more of the Individual Defendants, thus, they are hopelessly conflicted in making any supposedly independent determination whether to sue themselves;

(o) Stone Energy has been and will continue to be exposed to significant losses due to the wrongdoing complained of herein, yet the Individual Defendants and current Board have not filed any lawsuits against themselves or others who were responsible for that wrongful conduct to attempt to recover for Stone Energy any part of the damages Stone Energy suffered and will suffer thereby;

(p) If the current directors were to bring this derivative action against themselves, they would thereby expose their own misconduct, which underlies allegations against them contained in class action complaints for violations of securities law, which admissions would impair their defense of the class actions and greatly increase the probability of their personal liability in the class actions, in an amount likely to be in excess of any insurance coverage available to the Individual Defendants. In essence, they would be forced to take positions contrary to the defenses they will likely assert in the securities class actions. This they will not do. Thus, demand is futile; and

(q) If Stone Energy's current and past officers and directors are protected against personal liability for their acts of mismanagement, abuse of control and breach of fiduciary duty alleged in this Complaint by directors' and officers' liability insurance, they caused the Company to purchase that insurance for their protection with corporate funds, *i.e.*, monies belonging to the stockholders of Stone Energy. However, due to certain changes in the language of directors' and officers' liability insurance policies in the past few years, the directors' and officers' liability insurance policies covering the defendants in this case contain provisions that eliminate coverage for any action brought directly by Stone Energy against these defendants, known as, *inter alia*, the "insured versus insured exclusion." As a result, if these directors were to sue themselves or certain of the officers of Stone Energy, there would be no directors' and officers' insurance protection and thus, this is a further reason why they will not bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance coverage exists and will provide a basis for the Company to effectuate recovery. If there is no directors' and officers' liability insurance at all then the current directors will not cause Stone Energy to sue them, since they will face a large uninsured liability.

94. Moreover, despite the Individual Defendants having knowledge of the claims and causes of action raised by plaintiff, the current Board of Directors has failed and refused to seek to recover for Stone Energy for any of the wrongdoing alleged by plaintiff herein.

COUNT ONE

Against the Insider Selling Defendant for Breach of Fiduciary Duties for Insider Selling and Misappropriation of Information

95. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

96. At the time of the stock sales set forth herein, the Insider Selling Defendants knew the information described above, and sold Stone Energy common stock on the basis of such information.

97. The information described above was proprietary non-public information concerning the Company's financial condition and future business prospects. It was a proprietary asset belonging to the Company, which the Insider Selling Defendants used for their own benefit when they sold Stone Energy common stock.

98. At the time of their stock sales, the Insider Selling Defendants knew that the Company's revenues were materially overstated. The Insider Selling Defendants' sales of Stone Energy common stock while in possession and control of this material adverse non-public information was a breach of their fiduciary duties of loyalty and good faith.

99. Since the use of the Company's proprietary information for their own gain constitutes a breach of the Insider Selling Defendants' fiduciary duties, the Company is entitled to the imposition of a constructive trust on any profits the Insider Selling Defendants obtained thereby.

COUNT TWO

Against All Defendants for Breach of Fiduciary Duty

100. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

101. The Individual Defendants owed and owe Stone Energy fiduciary obligations. By reason of their fiduciary relationships, the Officer Defendants and Director Defendants owed and owe Stone Energy the highest obligation of good faith, fair dealing, loyalty and due care.

102. The Individual Defendants, and each of them, violated and breached their fiduciary duties of care, loyalty, reasonable inquiry, oversight, good faith and supervision.

103. Each of the Individual Defendants had actual or constructive knowledge that they had caused the Company to improperly misrepresent the financial results of the Company and failed to correct the Company's publicly reported financial results and guidance. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

104. As a direct and proximate result of the Individual Defendants' failure to perform their fiduciary obligations, Stone Energy has sustained significant damages. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

105. Plaintiff on behalf of Stone Energy has no adequate remedy at law.

COUNT THREE

Against All Defendants for Abuse of Control

106. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

107. The Individual Defendants' misconduct alleged herein constituted an abuse of their ability to control and influence Stone Energy, for which they are legally responsible.

108. As a direct and proximate result of the Individual Defendants' abuse of control, Stone Energy has sustained significant damages.

109. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

110. Plaintiff on behalf of Stone Energy has no adequate remedy at law.

COUNT FOUR

Against All Defendants for Gross Mismanagement

111. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

112. By their actions alleged herein, the Individual Defendants, either directly or through aiding and abetting, abandoned and abdicated their responsibilities and fiduciary duties with regard to prudently managing the assets and business of Stone Energy in a manner consistent with the operations of a publicly held corporation.

113. As a direct and proximate result of the Individual Defendants' gross mismanagement and breaches of duty alleged herein, Stone Energy has sustained significant damages in excess of hundreds of millions of dollars.

114. As a result of the misconduct and breaches of duty alleged herein, the Individual Defendants are liable to the Company.

115. Plaintiff on behalf of Stone Energy has no adequate remedy at law.

COUNT FIVE

Against All Defendants for Waste of Corporate Assets

116. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

117. As a result of the improper accounting, and by failing to properly consider the interests of the Company and its public shareholders by failing to conduct proper supervision, defendants have caused Stone Energy to waste valuable corporate assets by paying incentive based bonuses to certain of its executive officers and incur potentially millions/billions of dollars of legal liability and/or legal costs to defend defendants' unlawful actions.

118. As a result of the waste of corporate assets, the Individual Defendants are liable to the Company.

119. Plaintiff on behalf of Stone Energy has no adequate remedy at law.

COUNT SIX

Against All Defendants for Unjust Enrichment

120. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

121. By their wrongful acts and omissions, defendants were unjustly enriched at the expense of and to the detriment of Stone Energy.

122. Plaintiff, as a shareholder and representative of Stone Energy, seeks restitution from these defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits and other compensation obtained by these defendants, and each of them, from their wrongful conduct and fiduciary breaches.

COUNT SEVEN

Against Defendants Stone, Welch and Prince for Disgorgement Under the Sarbanes-Oxley Act

123. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

124. Pursuant to the Sarbanes-Oxley Act of 2002 §304, because Stone Energy will restate its financial statements for fiscal years 2001 through 2005 due to material noncompliance with SEC rules and published guidance as a result of false and misleading financial statements, defendant Stone, as Stone Energy's Chairman, defendant Welch, as Stone Energy's CEO, and defendant Prince, as Stone Energy's former CFO, are required to reimburse Stone Energy for all bonuses or other incentive-based or equity based compensation, received by them from Stone Energy during the fiscal years 2001 through 2005.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands judgment as follows:

A. Against all of the Individual Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of the Individual Defendants' breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment;

B. Declaring that defendants Stone, Welch and Prince are liable under the Sarbanes-Oxley Act of 2002 and requiring them to reimburse Stone Energy for all bonuses or other incentive-based or equity-based compensation received by them during 2001 through 2005;

C. Extraordinary equitable and/or injunctive relief as permitted by law, equity and state statutory provisions sued hereunder, including attaching, impounding, imposing a constructive trust on or otherwise restricting the proceeds of defendants' trading activities or their other assets so as to assure that plaintiff on behalf of Stone Energy has an effective remedy;

D. Awarding to Stone Energy restitution from the defendants, and each of them, and ordering disgorgement of all profits, benefits and other compensation obtained by the defendants;

E. Awarding to plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

F. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: December 16, 2005

Respectfully submitted,

BROUSSARD & DAVID

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-and-

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New York, NY 10016
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Attorneys for Plaintiff

VERIFICATION

I, Robert Farer, am the plaintiff in the within action and a resident of the State of Florida. I have read the foregoing complaint and know the contents thereof, except as to the matters therein stated to be alleged on information and belief, and as to those matters I believe them to be true. I am a current shareholder of Stone Energy Corporation. I currently own 11,000 Stone Energy Corporation common stock and have held those shares since 2001.

December 9, 2005

Robert Farer

BROUSSARD - DAVID
JUSTICE. OBTAINED.

Richard C. Broussard *
Blake R. David ǂ

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December 15, 2005

Clerk of Court
United States District Court
Western District of Louisiana
800 Lafayette Street, Suite 2100
Lafayette, LA 70501

RE: Robert Farer, Derivatively and on Behalf of Stone Energy Corporation v. James H. Stone, et al

Dear Clerk:

Enclosed for filing into the record of the above captioned matter, please find the following:

1. Civil Cover Sheet;

2. Shareholder Verified Derivative Complaint for Breach of Fiduciary Duty, Abuse of Control, Gross Mismanagement, Waste of Corporate Assets, Unjust Enrichment and Violations of the Sarbanes-Oxley Act of 2002; and,

3. Verification.

Our check for $250.00 is enclosed to cover the filing costs. Please return to us a stamped copy of the complaint for our records.

Thank you for your attention and cooperation in this matter.

With kind regards, I am

Yours truly,

Richard C. Broussard

RCB:mmc:15
Enclosures
cc: Mr. Nadeem Faruqi